

**Appendix A**  
**REPORT TO THE PRESIDENT ON THE ACTIVITIES**  
**OF THE**  
**COUNCIL OF ECONOMIC ADVISERS DURING 2002**

## LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D.C., December 31, 2002.*

MR. PRESIDENT:

The Council of Economic Advisers submits this report on its activities during the calendar year 2002 in accordance with the requirements of the Congress, as set forth in section 10(d) of the Employment Act of 1946 as amended by the Full Employment and Balanced Growth Act of 1978.

Sincerely,

Robert Glenn Hubbard, *Chairman*  
Randall S. Kroszner, *Member*

## *Council Members and Their Dates of Service*

Name	Position	Oath of office date	Separation date
Edwin G. Nourse .....	Chairman .....	August 9, 1946 .....	November 1, 1949.
Leon H. Keyserling .....	Vice Chairman .....	August 9, 1946 .....	
	Acting Chairman .....	November 2, 1949 .....	
	Chairman .....	May 10, 1950 .....	January 20, 1953.
John D. Clark .....	Member .....	August 9, 1946 .....	
	Vice Chairman .....	May 10, 1950 .....	February 11, 1953.
Roy Blough .....	Member .....	June 29, 1950 .....	August 20, 1952.
Robert C. Turner .....	Member .....	September 8, 1952 .....	January 20, 1953.
Arthur F. Burns .....	Chairman .....	March 19, 1953 .....	December 1, 1956.
Neil H. Jacoby .....	Member .....	September 15, 1953 .....	February 9, 1955.
Walter W. Stewart .....	Member .....	December 2, 1953 .....	April 29, 1955.
Raymond J. Saulnier .....	Member .....	April 4, 1955 .....	
	Chairman .....	December 3, 1956 .....	January 20, 1961.
Joseph S. Davis .....	Member .....	May 2, 1955 .....	October 31, 1958.
Paul W. McCracken .....	Member .....	December 3, 1956 .....	January 31, 1959.
Karl Brandt .....	Member .....	November 1, 1958 .....	January 20, 1961.
Henry C. Wallich .....	Member .....	May 7, 1959 .....	January 20, 1961.
Walter W. Heller .....	Chairman .....	January 29, 1961 .....	November 15, 1964.
James Tobin .....	Member .....	January 29, 1961 .....	July 31, 1962.
Kermit Gordon .....	Member .....	January 29, 1961 .....	December 27, 1962.
Gardner Ackley .....	Member .....	August 3, 1962 .....	
	Chairman .....	November 16, 1964 .....	February 15, 1968.
John P. Lewis .....	Member .....	May 17, 1963 .....	August 31, 1964.
Otto Eckstein .....	Member .....	September 2, 1964 .....	February 1, 1966.
Arthur M. Okun .....	Member .....	November 16, 1964 .....	
	Chairman .....	February 15, 1968 .....	January 20, 1969.
James S. Duesenberry .....	Member .....	February 2, 1966 .....	June 30, 1968.
Merton J. Peck .....	Member .....	February 15, 1968 .....	January 20, 1969.
Warren L. Smith .....	Member .....	July 1, 1968 .....	January 20, 1969.
Paul W. McCracken .....	Chairman .....	February 4, 1969 .....	December 31, 1971.
Hendrik S. Houthakker .....	Member .....	February 4, 1969 .....	July 15, 1971.
Herbert Stein .....	Member .....	February 4, 1969 .....	
	Chairman .....	January 1, 1972 .....	August 31, 1974.
Ezra Solomon .....	Member .....	September 9, 1971 .....	March 26, 1973.
Marina v.N. Whitman .....	Member .....	March 13, 1972 .....	August 15, 1973.
Gary L. Seevers .....	Member .....	July 23, 1973 .....	April 15, 1975.
William J. Fellner .....	Member .....	October 31, 1973 .....	February 25, 1975.
Alan Greenspan .....	Chairman .....	September 4, 1974 .....	January 20, 1977.
Paul W. MacAvoy .....	Member .....	June 13, 1975 .....	November 15, 1976.
Burton G. Malkiel .....	Member .....	July 22, 1975 .....	January 20, 1977.
Charles L. Schultze .....	Chairman .....	January 22, 1977 .....	January 20, 1981.
William D. Nordhaus .....	Member .....	March 18, 1977 .....	February 4, 1979.
Lyle E. Gramley .....	Member .....	March 18, 1977 .....	May 27, 1980.
George C. Eads .....	Member .....	June 6, 1979 .....	January 20, 1981.
Stephen M. Goldfeld .....	Member .....	August 20, 1980 .....	January 20, 1981.
Murray L. Weidenbaum .....	Chairman .....	February 27, 1981 .....	August 25, 1982.
William A. Niskanen .....	Member .....	June 12, 1981 .....	March 30, 1985.
Jerry L. Jordan .....	Member .....	July 14, 1981 .....	July 31, 1982.
Martin Feldstein .....	Chairman .....	October 14, 1982 .....	July 10, 1984.
William Poole .....	Member .....	December 10, 1982 .....	January 20, 1985.
Beryl W. Sprinkel .....	Chairman .....	April 18, 1985 .....	January 20, 1989.
Thomas Gale Moore .....	Member .....	July 1, 1985 .....	May 1, 1989.
Michael L. Mussa .....	Member .....	August 18, 1986 .....	September 19, 1988.
Michael J. Boskin .....	Chairman .....	February 2, 1989 .....	January 12, 1993.
John B. Taylor .....	Member .....	June 9, 1989 .....	August 2, 1991.
Richard L. Schmalensee .....	Member .....	October 3, 1989 .....	June 21, 1991.
David F. Bradford .....	Member .....	November 13, 1991 .....	January 20, 1993.
Paul Wonnacott .....	Member .....	November 13, 1991 .....	January 20, 1993.
Laura D'Andrea Tyson .....	Chair .....	February 5, 1993 .....	April 22, 1995.
Alan S. Blinder .....	Member .....	July 27, 1993 .....	June 26, 1994.
Joseph E. Stiglitz .....	Member .....	July 27, 1993 .....	
	Chairman .....	June 28, 1995 .....	February 10, 1997.
Martin N. Baily .....	Member .....	June 30, 1995 .....	August 30, 1996.
Alicia H. Munnell .....	Member .....	January 29, 1996 .....	August 1, 1997.
Janet L. Yellen .....	Chair .....	February 18, 1997 .....	August 3, 1999.
Jeffrey A. Frankel .....	Member .....	April 23, 1997 .....	March 2, 1999.
Rebecca M. Blank .....	Member .....	October 22, 1998 .....	July 9, 1999.
Martin N. Baily .....	Chairman .....	August 12, 1999 .....	January 19, 2001
Robert Z. Lawrence .....	Member .....	August 12, 1999 .....	January 12, 2001
Kathryn L. Shaw .....	Member .....	May 31, 2000 .....	January 19, 2001
R. Glenn Hubbard .....	Chairman .....	May 11, 2001 .....	
Mark B. McClellan .....	Member .....	July 25, 2001 .....	November 13, 2002
Randall S. Kroszner .....	Member .....	November 30, 2001 .....	

# Report to the President on the Activities of the Council of Economic Advisers During 2002

The Council of Economic Advisers was established by the Employment Act of 1946 to provide the President with objective economic analysis and advice on the development and implementation of a wide range of domestic and international economic policy issues.

## The Chairman of the Council

R. Glenn Hubbard continued to chair the Council during 2002. Dr. Hubbard is on a leave of absence from Columbia University, where he is the Russell L. Carson Professor of Economics and Finance and Co-Director of the Entrepreneurship Program in the Graduate School of Business and Professor of Economics in the Faculty of Arts and Sciences. He is a Research Associate at the National Bureau of Economic Research. He also served as Senior Vice Dean of the Graduate School of Business at Columbia University.

Dr. Hubbard is responsible for communicating the Council's views on economic matters directly to the President through personal discussions and written reports. He represents the Council at Cabinet meetings, meetings of the National Economic Council, daily White House senior staff meetings, budget team meetings with the President, and other formal and informal meetings with the President. He also travels within the United States and overseas to present the Administration's views on the economy. Dr. Hubbard is the Council's chief public spokesperson. He directs the work of the Council and exercises ultimate responsibility for the work of the professional staff.

## The Members of the Council

Randall S. Kroszner is the other current Member of the Council of Economic Advisers. Dr. Kroszner is on leave from the University of Chicago's Graduate School of Business, where he is Professor of Economics. He is also on leave from his positions as Editor of the *Journal of Law & Economics* and Associate Director of the George J. Stigler Center for the Study of the Economy and the State at the University of Chicago. Dr. Kroszner is also a Faculty Research Fellow at the National Bureau of Economic Research. He

represents the Administration at a variety of international and domestic meetings. The Council's third Member, Mark B. McClellan, left the Council in November 2002 upon his appointment by the President to be Commissioner of the Food and Drug Administration.

The Chairman and the Members work as a team on most economic policy issues. Dr. Hubbard was primarily responsible for the Administration's economic forecast, macroeconomic analysis, budget and taxation policy, and retirement security. Dr. Kroszner's responsibilities included international finance and trade issues for both emerging markets and developed economies, macroeconomic forecasting, and a number of microeconomic issues, including those relating to corporate governance, financial markets, energy, environment, transportation, and the costs of regulation.

## Macroeconomic Policies

As is its tradition, the Council devoted much time during 2002 to assisting the President in formulating economic policy objectives and designing programs to implement them. In this regard the Chairman kept the President informed, on a continuing basis, of important macroeconomic developments and other major policy issues through regular briefings. The Council prepares for the President, the Vice President, and the White House senior staff almost daily memoranda that report key economic data and analyze current economic events. In addition, they prepare weekly discussion and data memoranda for the Vice President and senior White House staff.

The Council, the Department of the Treasury, and the Office of Management and Budget—the Administration's economic "troika"—are responsible for producing the economic forecasts that underlie the Administration's budget proposals. The Council, under the leadership of the Chairman and the Members, initiates the forecasting process twice each year. In preparing these forecasts, the Council consults with a variety of outside sources, including leading private sector forecasters.

In 2002 the Council took part in discussions on a range of macroeconomic issues, with a particular focus on issues relating to tax policy. The Council provided analytical support for major fiscal initiatives such as the Job Creation and Worker Assistance Act of 2002 and the President's January 2003 proposal to strengthen the economy. The Council worked closely with the Office of Management and Budget, the Treasury, the Federal Reserve, and the National Economic Council, as well as other government agencies, in providing analyses to the rest of the Administration.

The Council continued its efforts to improve the public's understanding of economic issues and of the Administration's economic agenda through regular

briefings with the economic and financial press, frequent discussions with outside economists, and presentations to outside organizations. The Chairman and Members also regularly exchanged views on the economy with the Chairman of the Board of Governors of the Federal Reserve System.

## International Economic Policies

The Council was involved in a range of international economic issues. Discussions on trade policy matters involved a number of industries as well as broader trade liberalization initiatives in various multilateral, regional, and bilateral forums. The Council participated in the development of U.S. positions during the concluding stages of free trade agreements with Chile and Singapore as well as in ongoing negotiations under the auspices of the World Trade Organization and with regard to the proposed Free Trade Agreement of the Americas. The Council participated in international finance discussions involving a number of emerging market economies. A particular focus of the Council was in developing an analytical framework for a pro-growth agenda for emerging markets. The Council participated in the development of the President's Millennium Challenge Account, which will increase aid to low- and middle-income countries that have a demonstrated commitment to pro-growth policies and institutions.

The Council is a leading participant in the Organization for Economic Cooperation and Development (OECD), the principal forum for economic cooperation among the high-income industrial countries. The Chairman heads the U.S. delegation to the semiannual meetings of the OECD's Economic Policy Committee (EPC) and serves as the EPC Chairman as well as Chairman of the Ad Hoc Group on Sustainable Development. In 2002 Dr. Kroszner participated in the OECD's Working Party 3 meeting on macroeconomic policy and coordination, and Council staff participated in the OECD's Working Party 1 meeting on microeconomic policies. Dr. Kroszner also participated in the annual OECD review of U.S. economic policy.

Members regularly met with representatives of the Council's counterpart agencies in foreign countries, as well as with foreign trade ministers, other government officials, and members of the private sector. The Council represented the United States at other international forums as well, including meetings of the Asia-Pacific Economic Cooperation (APEC) forum. The Council played a key role in organizing an APEC-led initiative focused on corporate restructuring, initial results of which were presented at a conference in Singapore.

## Microeconomic Policies

A wide variety of microeconomic issues received the Council's attention during 2002. The Council actively participated in the Cabinet-level National Economic Council, dealing with issues related to energy, the environment, homeland security and cybersecurity, technology, telecommunications, and transportation, among others. Dr. McClellan was extensively involved in formulating policy concerning health care and various aspects of welfare policy. Dr. Kroszner participated in a series of discussions on energy and environmental policies, financial market issues, corporate governance reform, regulation, and numerous issues relating to specific industries including lumber, steel, and transportation.

The Council participated in discussion on a range of environmental issues in 2002. A particular focus was on climate change initiatives, including partnerships with other countries and negotiations associated with the Kyoto Protocol. The Council also played an integral role in regulatory discussions, including the revision of the OMB Guidelines for the Conduct of Regulatory Analysis and the Format of Accounting Statements; Dr. Kroszner co-chaired this process with the Director of the Office of Information and Regulatory Affairs. This document establishes guidelines for Federal government agencies on how to undertake economic analysis of proposed regulations.

Corporate governance reform was an important focus of the Council's efforts in 2002. Members and staff analyzed various underlying problems in corporate governance and engaged in discussions within the Administration and with outside organizations in the United States and other countries about policies to enhance accountability, disclosure, and enforcement. The Council was also involved in discussions relating to the Postal Service, Amtrak, the airlines, government-sponsored enterprises, bankruptcy reform, and a host of technology-related issues such as cybersecurity, fusion energy initiatives, computer reservation systems, and issues related to broadband.

The Council participated extensively in discussions related to labor market and social policies. Issues included prescription drug benefits, reform of the Medicare system, medical malpractice liability, unemployment insurance, and the President's proposal to offer reemployment accounts to certain unemployed individuals. The Council was also involved in discussions relating to financial institutions, agriculture, and the economic effects of ports disputes.

# The Staff of the Council of Economic Advisers

The professional staff of the Council consists of the Chief of Staff, the Chief Economist, the Director of Macroeconomic Forecasting, the Senior Statistician, eight senior economists, five staff economists, and five research assistants. The professional staff and their areas of concentration at the end of 2002 were:

## *Chief of Staff*

Phillip L. Swagel

## *Chief Economist*

Douglas J. Holtz-Eakin

## *Director of Macroeconomic Forecasting*

Steven N. Braun

## *Senior Statistician*

Catherine H. Furlong

## *Senior Economists*

Cindy R. Alexander .....	Industrial Organization, Corporate Finance, and Regulation
S. Brock Blomberg .....	International Finance
Robert J. Carroll.....	Public Finance
Robert N. Collender.....	Regulation, Energy, Finance, and Agriculture
Christopher L. Foote. ....	Macroeconomics
Thomas C. DeLeire.....	Labor, Health, and Education
John A. List.....	Environment and Regulation
Michael O. Moore.....	International Trade

## *Staff Economists*

D. Clay Akerly.....	Health Care and Labor
Anne L. Berry.....	Regulation and Industrial Organization
Catherine L. Downard .....	International Finance
Brian H. Jenn.....	Labor, Regulation, and Public Finance
Peter H. Woodward.....	International Finance and Financial Markets



### *Research Assistants*

Shelley D. de Alth .....	International Trade
Leandra T. DeSilva .....	Environment and Regulation
Christine L. Dobridge .....	Macroeconomics
Paul S. Landefeld.....	Macroeconomics and Public Finance
Adam R. Saunders.....	Macroeconomics, Public Finance, and Regulation

### *Statistical Office*

Mrs. Furlong directs the Statistical Office. The Statistical Office maintains and updates the Council's statistical information, oversees the publication of the monthly *Economic Indicators* and the statistical appendix to the *Economic Report of the President*, and verifies statistics in Presidential and Council memoranda, testimony, and speeches.

Linda A. Reilly .....	Statistician
Brian A. Amorosi .....	Statistical Assistant
Dagmara A. Mocala.....	Research Assistant

### *Administrative Office*

The Administrative Office provides general support for the Council's activities. This includes financial management, human resource management, and travel, facility, security, information, and telecommunications management support.

Catherine Fibich.....	Administrative Officer
Rosemary M. Rogers .....	Administrative Assistant
John W. Arnold .....	Information Management Assistant

### *Office of the Chairman*

Alice H. Williams.....	Executive Assistant to the Chairman
Sandra F. Daigle .....	Executive Assistant to the Chairman and Assistant to the Chief of Staff
Lisa D. Branch .....	Executive Assistant to Dr. Kroszner
Stephen M. Lineberry.....	Executive Assistant to Dr. McClellan

### *Staff Support*

Mary E. Jones.....	Executive Assistant for International Economics, Labor, Health, Environment, and Regulation
Mary A. Thomas-Parker .....	Program Assistant for Macroeconomics, Industrial Organization, and Agriculture

Diana E. Furchtgott-Roth served as Chief of Staff for the first half of 2002 and subsequently as Special Advisor to the Council.

Michael Treadway provided editorial assistance in the preparation of the 2003 *Economic Report of the President*.

Katherine Baicker, Rex W. Cowdry, John G. Matsusaka, and William B. Vogt provided consulting services to the Council during 2002.

Student interns during the year were M. Caroline Beasley, Jason P. Brinton, Alexander Chan, Carol L. Cohen, Brian C. Grech, Laura C. Hanlon, Clarette S. Kim, David Y. Lin, Matthew Nestorick, Samuel C. Roddenberry, Douglas A. Smith, Kevin P. Sweeney, Thomas B. Valuk, Peter H. Woodward, and Aimee C. Zullo. Sarah R. Darley, Evan M. Newman, and Adam R. Sorkin joined the staff of the Council in January as student interns.

## Departures

Diana E. Furchtgott-Roth accepted a position as Chief Economist at the Department of Labor in early 2003. Douglas J. Holtz-Eakin left the Council at the end of January 2003 to become the Director of the Congressional Budget Office.

The Council's senior economists, in most cases, are on leave of absence from faculty positions at academic institutions or from other government agencies or research institutions. Their tenure with the Council is usually limited to 1 or 2 years. Some of the senior economists who resigned during the year returned to their previous affiliations. They are Katherine Baicker (Dartmouth College), Peter M. Feather (U.S. Department of Agriculture, Economic Research Service), William R. Melick (Kenyon College), and William A. Pizer (Resources for the Future). Others went on to new positions. They are Jeffrey R. Brown (University of Illinois at Urbana-Champaign), Carolyn L. Evans (Board of Governors of the Federal Reserve System), Andrew J. Filardo (Bank for International Settlements), and Wallace P. Mullin (George Washington University).

Staff economists are generally graduate students who spend 1 year with the Council and then return to complete their dissertations. Those who returned to their graduate studies in 2002 are Irena I. Asmundson (Stanford University) and Katherine R. Baylis (University of California, Berkeley). Judson L. Jaffe accepted a position at Analysis Group/Economics. Those who served as research assistants at the Council and resigned during 2002 are M. Marit Rehavi (London School of Economics), Heather C. McNaught (Department of Justice), and Jason M. Zhao. Mary A. Thomas-Parker, Program Assistant, retired after nearly 26 years of Federal service, the last 13 years of which were with the Council.

During 2002 the Council lost a valued colleague. Susan P. Clements, who served as a Statistician in the Statistical Office, passed away in August 2002; she had retired in June 2002 for health reasons.

## Public Information

The Council's annual *Economic Report of the President* is an important vehicle for presenting the Administration's domestic and international economic policies. It is now available for distribution both as a bound volume and on the Internet, where it is accessible at [www.access.gpo.gov/eop](http://www.access.gpo.gov/eop). The Council also has primary responsibility for compiling the monthly *Economic Indicators*, which is issued by the Joint Economic Committee of the Congress. The Internet address for the *Economic Indicators* is [www.access.gpo.gov/congress/cong002.html](http://www.access.gpo.gov/congress/cong002.html). The Council's home page is located at [www.whitehouse.gov/cea/index.html](http://www.whitehouse.gov/cea/index.html).